

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/15/2014
POSITION: Oppose

BILL NUMBER: AB 1522
AUTHOR: Gonzalez, Lorena

BILL SUMMARY: Employment: paid sick days

This bill, effective July 1, 2015, requires employers to provide at least three paid sick days for an employee who works in California for 30 or more days in a calendar year, unless the employee was otherwise represented by a collective bargaining agreement, as specified. This bill requires the Labor Commissioner to administer and enforce these requirements and to meet other responsibilities, as specified.

FISCAL SUMMARY

The Department of Social Services (DSS) estimates the state's 365,000 In-Home Supportive Service (IHSS) providers would accrue one hour of paid sick leave for every 30 hours worked. Based on DSS records of the provider hours billed from November 2013 through January 2014, providers would earn an average of 2.9 hours of paid sick leave each month. The General Fund wage costs are estimated at \$82 million annually, assuming paid sick days were incurred within three months of when hours were accrued. The Department of Industrial Relations (DIR) estimates the additional workload requirements for the Labor Commissioner, the Bureau of Field Enforcement, Retaliation Complaints Investigation Unit, and Wage Claim Adjudication Unit for activities such as investigations and hearings would result in annual costs of \$1.2 million Labor Enforcement and Compliance Fund. Any request for budget augmentation arising from this bill would be reviewed during the state's annual budget development process.

This bill would also result in county administrative costs to arrange service coverage for recipients and one-time Case Management, Information and Payrolling System (CMIPS) change costs of \$5 million for 2014-15 and \$25 million annually thereafter. There could also be as yet unquantified administrative costs for county home supportive service public authorities related to implementation of this bill. Any additional costs incurred by the counties would be borne by the state because county costs are contractually capped by memorandums between the counties and DSS. Because of recent changes to federal Fair Labor Standards Act regulations, the state must compensate IHSS providers for overtime worked, medical accompaniment wait time, and travel time between recipients, effective January 1, 2015. The increased IHSS costs associated with those recently enacted regulation changes are estimated to be over \$350 million General Fund annually. The increased costs in this bill would be in addition to this.

This bill imposes unknown, but potentially significant costs on California employers for the administrative costs associated with additional sick days for current employees and the costs associated with replacement workers hired to backfill absences. To the extent this bill is a contributing factor in a California business' decision to downsize or close, the bill results in diminished tax revenues.

COMMENTS

The Department of Finance is opposed to this bill. While the bill may reduce the impact of lost productivity related to sick employees showing up to work, it results in significant unbudgeted state General Fund costs, and costs to local governments. Further, the bill results in additional and potentially significant costs to private sector employers, which could diminish incentives for businesses to operate in California and

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Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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COMMENTS (continued)

therefore could be a sole or contributing factor to a business' decision to close or downsize. Such actions by California businesses would have a state fiscal impact such as reduced tax revenues.

The state is currently managing considerable changes in the IHSS program. The state is transitioning collective bargaining from the public authorities to the state as the state implements the Coordinated Care Initiative. Previously, contracts for IHSS providers were negotiated by counties, therefore provider benefits such as sick leave, health care and vacation time vary among the counties.

The 2014-15 Budget Act reflects \$172.2 million General Fund to implement new federal labor requirements that require the state to pay overtime in the IHSS program for hours worked beyond 40 hours per week. These are major changes to the existing program and the state is in the process of implementing these changes. This bill legislatively mandates further conditions of employment regarding sick leave for IHSS providers that would be more appropriately addressed in collective bargaining.

This bill also establishes a private right of action for third parties to bring a civil action against an employer for violations of the bill's provision. This bill also requires a public authority to comply with this requirement for individuals that perform services in the IHSS program. This bill would allow a public authority to enter a collectively bargained agreement to adjust the wages of IHSS workers in lieu of paid sick days.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2014-2015 FC	2015-2016 FC	2016-2017	
7350/DIR	SO	No	A	-- C	1,200 C	1,200	3152
5180/Social Svcs	SO	No	C	5,000 C	106,298 C	106,298	0001
<u>Fund Code</u>	<u>Title</u>						
0001	General Fund						
3152	Labor Enforcement and Compliance Fund						